

**REINFORCING INFRASTRUCTURE
DEVELOPMENT IN IRAQ**

**Eighth Meeting of the Working Group on
Infrastructure Finance in Iraq**

Draft Agenda

Organised by the

MENA-OECD INVESTMENT PROGRAMME

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Cairo, Egypt

Opportunities for Infrastructure Finance in Iraq

Despite significant advances in many areas of infrastructure in Iraq, for example, electricity, roads, bridges, rail lines, airports, provision of potable water, and communications, much still remains to be undertaken. It is important for the Government of Iraq (GOI) to increase its ability to deliver basic services in response to population growth, expectations of a higher standard of living, and the needs of local and foreign investors. Responding to these needs will demand considerable strengthening of infrastructure.

Budgetary funds available for infrastructure¹ investment in Iraq, which are expected to increase in the medium term as recently awarded oil production contracts come on stream, could be rendered more effective if combined with private capital and the associated technical expertise. Some extra-budgetary infrastructure finance mechanisms – engaging domestic and foreign private investors on a long-term basis – offer not only a strong potential for technology transfer, but also cost efficiency. There are two major extra-budgetary sources of funding for infrastructure:

- 1) *International, regional and national organisations* that provide medium and long term funding for infrastructure, including the World Bank, sovereign wealth funds, regional development banks, the Islamic Development Bank, and donor agencies, and
- 2) *The private sector*, through such mechanisms as public-private partnerships and strategic production sharing arrangements, supported by export credit agencies and insurance and guarantee agencies (OPIC, EXIM Bank, MIGA, JICA, Coface, ECGD-UK). Various combinations of donors and mechanisms are possible. Private sector participation in infrastructure development must be defined in a way that allows for cash-flow to be attributed to the private partner(s) and provides a risk-adjusted rate of return.

The Creation of the Working Group on Infrastructure Finance

The decision to create the Working Group on Infrastructure Finance was taken at a *Conference on Opportunities for Infrastructure Financing in Iraq* held in Baghdad on 21 November 2009. The conference was co-organised by the Iraqi Institute for Economic Reform (IIER), a local research institute, and the MENA-OECD Investment Programme as part of its longstanding work on improving the Iraqi investment climate. The 85 participants included representatives of the Government of Iraq, private sector operators, international banks and financial institutions (such as the World Bank and HSBC), foreign embassies, and investment promotion and research organisations. Key themes of the conference included:

- The current infrastructure development profile of Iraq and trends over the past five years
- Trends and challenges in infrastructure financing
- Extra-budgetary sources of infrastructure finance involving international financial institutions and private firms, and their applicability to Iraq
- Means of prioritising and coordinating these mechanisms in order to move forward with a national infrastructure development program

Participants decided upon the creation of the Working Group, which is charged with the following missions:

- (1) Identify the regulatory and policy settings most likely to facilitate private sector involvement in infrastructure finance, drawing on OECD tools and principles and other sources,
- (2) Make recommendations on priority infrastructure needs in Iraq and appropriate financing mechanisms,
- (3) Identify issues and obstacles associated with the most applicable financing mechanisms and make recommendations to address these issues,
- (4) Identify high priority infrastructure projects based on an OECD methodology and assist GOI officials in preparing proposals and recommending implementation to the Government of Iraq, and
- (5) Monitor project implementation.

¹ *Infrastructure is defined as transportation infrastructure (roads, bridges, airports, ports, rail lines); communications infrastructure; housing; and electricity generation and distribution. Infrastructure projects can be “mega projects” (dams, coast-to-coast highways, mega-ports, large power plants) or much smaller projects that can include communication franchises or limited highway spurs. This definition does not include humanitarian and other economic development needs, the general lack of FDI and related investment environment issues, or direct contracting with the government.*

Meetings of the Working Group

The first meeting of the Working Group, held in Amman, Jordan, on 17-18 February 2010, allowed Government of Iraq officials to benefit from detailed briefings by Working Group technical experts on two extra-budgetary sources of funding for infrastructure projects that are relatively well adapted to the Iraqi situation – public-private partnerships (PPP) and development bank loans. Members approved an action plan calling for Iraqi ministries to submit priority infrastructure project proposals to MENA-OECD for study at the second meeting of the Working Group.

The second meeting of the Working Group, held in Paris, France, on 29-30 April 2010, identified six priority infrastructure projects (out of 14 submitted) as candidates for PPP arrangements or development bank loans, based on an OECD prioritisation methodology. The meeting created one expert group per project to initiate direct contact with the relevant Iraqi ministry, with the member experts donating time to an email and meeting-based dialogue process that assists the Iraqi officials in preparing credible PPP proposals or loan applications.

The third meeting of the Working Group, held in Paris, France, on 4-5 November 2010, was devoted largely to parallel meetings of the expert groups, working alongside ministry representatives to advance PPP proposals or loan applications for each project. Another focus was on the regulatory framework needed for successful PPP. A key result was agreement to prepare international standard feasibility studies and investor presentation documents for the projects.

The fourth meeting of the Working Group, held in Amman, Jordan, on 26-28 March 2011, set detailed timelines or defined initial measures to advance five priority infrastructure projects towards financing. A sixth project received an offer of \$100,000 in feasibility study funding from the Islamic Development Bank. OECD consultants subsequently began work on feasibility study terms of reference or presentation documents targeting investors for four of the projects.

The fifth meeting of the Working Group, held in Istanbul, Turkey, on 21-22 November 2011, approved terms of reference for feasibility studies on three Government of Iraq infrastructure projects (a network of abattoirs, a series of residential communities, and a third train for associated gas treatment in the North Gas Complex), as well as a presentation document for a fourth project (Grand Fao port). The meeting decided to refocus activity on legal investment protection measures that would encourage private investment in specific Iraqi infrastructure projects, as well as providing economy-wide investment promotion benefits.

The sixth meeting of the Working Group, held in Beirut, Lebanon, on 18-19 June 2012, recommended the organisation of a series of workshops for Government of Iraq officials, focused on applying PPP models to specific infrastructure projects using case studies and small group exercises, and on the implications of legal investment protection gaps for each project. The meeting also discussed a draft legal investment protection assessment intended to highlight regulatory and institutional reforms to increase investment protection in Iraq generally while making specific projects more attractive to potential private investors and guarantee agencies. The key issues identified include: expropriation, international investment treaties, land ownership rights, the regulatory burden, the dispute resolution framework, and contract enforcement.

The seventh meeting of the Working Group held in Amman, Jordan on 13-14 November 2012, explored Iraq's residential real estate market and the Grand Fao port. The session on real estate presented joint OECD, World Bank, and Ernst & Young research on policy scenarios for solving the urgent need for millions of housing units in Iraq. The session on the Grand Fao port highlighted the difference between PPPs and traditional public procurement. The second day was devoted to PPP project finance, with reference to the other two projects in this work stream: the Mosul highway and the Middle Euphrates airport.

The eighth meeting of the Working Group to be held in Cairo, Egypt on 30 April and 1 May 2013 will build on the recommendations drafted during the previous working group meeting for a residential housing policy in Iraq, and offer different options for a single housing agency. It will also provide an update on the legal situation of PPPs in Iraq and on the status of the Grand Fao port project. Iraqi government officials will detail plans for two new infrastructure projects and OECD and international experts will present best practice examples to enrich the discussion. The meeting will conclude with a review of the conclusions and recommendations drafted during all working group meetings held under Phase III of the Iraq project, in preparation for a high-level meeting that will tentatively take place in Baghdad, in September 2013.

Members of the Working Group

Government of Iraq Representatives

Riyadh Yousef Aboud, Chairperson, Infrastructure Committee, Office of the Deputy Prime Minister for Infrastructure
 Ali Hussein Abdulwahhab, General Director of Studies, Planning and Follow Up, Ministry of Planning
 Sahar Wajaan Ajel, Assistant Legal Advisor, National Investment Commission
 Firas Harboon Hardan, General Director, National Investment Commission
 Nizar Naser Hussein, Legal Advisor, National Investment Commission
 Shakir Salman Fayyadh, Ministry of Finance
 Khalid Obaid Jadah, Expert, Office of the Deputy Prime Minister for Infrastructure
 Ather M. Kalaf, Coordinator of the Working Group Committee, Office of the Deputy Prime Minister for Infrastructure
 Osama Latif Mohammad, Representative, Ministry of Municipalities
 Ihsan Mohammad Salman, Senior Chief of Engineers, Ministry of Transportation
 Emad Mustafa Younis Alshaheri, General Director, Ministry of Construction and Housing

International and OECD experts

Nicholas Skibiak, Director of Analytics, Dunia Frontier
 Paul Deegan, Projects Manager, Shannon Development
 Eugene Brennan, Director, Consultancy Services Group
 Ole Olsen, Professor, University of Oslo
 Florian Amereller, Amereller Legal Consultants
 John Crothers, Partner, Gide Loyrette Nouel
 Abraham Akkawi, Partner, Infrastructure and PPP Advisory Services Leader MENA, Ernst & Young
 Dyfed Aubrey, Senior Human Settlements Officer, UN-Habitat
 Martin Fessey, Business Development Manager, Parsons Brinckerhoff
 Christopher Gunson, Lawyer, Pillsbury Winthrop Shaw Pittman LLP
 Kamal Field Al Basri, Expert on Iraqi Economic Affairs
 Dennis Flannery, Country Director, Citibank, Iraq
 Rachel Mueller, U.S. Embassy, Iraq

MENA-OECD Investment Programme

Anders Jönsson, Iraq Project Co-ordinator, MENA-OECD Investment Programme, OECD
 Abdelrahman Sherif, MENA-OECD Investment Programme, OECD
 Christelle Monteillet, Iraq Project Advisor, MENA-OECD Investment Programme, Amman
 Thomas Flynn, Deputy Iraq Project Advisor, MENA-OECD Investment Programme, Amman
 Bashar Al-Zubi, MENA-OECD Investment Programme, Amman

CONFIDENTIALITY

Members of the Working Group on Infrastructure Finance in Iraq play an advisory role with respect to the Government of Iraq (GoI) and may have access to confidential information regarding future infrastructure project tenders by the GoI. In order to avoid any perception of conflict of interest, members of the working group are asked **not to use any such confidential information in bidding on Government of Iraq tenders for projects dealt with by the Working Group nor to share any confidential information with any person or entity likely to do so.**

Tuesday, 30 April 2013

14:00-14:30	Opening Remarks
Room:	Riyadh Yousef Aboud, Chairperson, Infrastructure Committee, Office of the Deputy Prime Minister for Infrastructure, Iraq Anders Jönsson, Iraq Project Co-ordinator, MENA-OECD Investment Programme
14:30-15:30	Session 1 – Foreign Direct Investment into Iraq
	<p><i>Examine the current situation of foreign investment in Iraq and explore options for the Iraqi government to raise money to fund projects.</i></p> <p>Foreign Commercial Activity and Direct Investment into Iraq – <i>Nicholas Skibiak, Director of Analytics, Dunia Frontier</i></p> <p>Raising Venture Capital into an Economic Development Programme – <i>Paul Deegan, Projects Manager, Shannon Development</i></p> <p>Panel discussion Based on the presentations, discussants will cover:</p> <ul style="list-style-type: none"> • What are the ways that Iraq can best attract Foreign Direct Investment? • What is Iraq's attractiveness as an FDI destination? What are constraints that prevent Iraq from attracting further FDI? • What are ways that venture capital can benefit Iraq? <p>Panel Members</p> <ul style="list-style-type: none"> • Riyadh Yousef Aboud, Office of the Deputy Prime Minister for Infrastructure, Iraq • Nicholas Skibiak, Director of Analytics, Dunia Frontier • Paul Deegan, Projects Manager, Shannon Development • Bashar Al-Zu'bi, MENA-OECD • Kamal Field al-Basri, Iraq Institute for Economic Reform
15:30-16:00	Coffee Break
16:00-17:00	Session 2 – Review of the Legal Framework for Infrastructure Projects in Iraq
	<p><i>The new Public-Private-Partnership (PPP) draft law which is pending adoption will provide a framework for the use of PPP's in the establishment of investment zones in Iraq. The session will identify priority issues for the use of PPP's from a private and public perspective, and provide recommendations for the way forward.</i></p> <p>Analysis of the legal situation of Public-Private-Partnerships (PPP's) in Iraq Private sector perspective – <i>Sherif Oteifa, Advisor to Egypt's Minister of Investment</i></p> <p>Public sector perspective – <i>Professor Ole Olsen from the University of Oslo</i></p> <p>Panel discussion on the legal situation of Public-Private-Partnerships (PPP) in Iraq The panel discussion will focus on:</p> <ul style="list-style-type: none"> • What are the main obstacles for the use of Public-Private-Partnerships for the

	<p>establishment of infrastructure projects in Iraq, from the private and public sector perspective, respectively?</p> <ul style="list-style-type: none"> • How can PPP's be implemented in Iraq based on the current legal framework? • What priority issues need to be addressed? <p>Panel members:</p> <ul style="list-style-type: none"> • Sherif Oteifa, Advisor to Egypt's Minister of Investment • Florian Amereller • Professor Ole Olsen, University of Oslo • Kamal Field al-Basri, Iraq Institute for Economic Reform
<p>17:00-18:00</p>	<p>Session 3 - Policy challenges and solutions for a landfill construction project in Diwaniya</p>
	<p>Presentation of the landfill construction project in Diwaniya by the Ministry</p> <p>Key issues in Municipal Solid Waste Public-Private-Partnerships - <i>John Crothers, Partner, Gide Loyrette Nouel</i></p> <p>Public Private Partnerships in Solid Waste Management : Global Lessons – <i>Ibrahim Akkawi, Partner, Ernst & Young</i></p> <p>Panel members:</p> <ul style="list-style-type: none"> • Riyadh Yousef Aboud, Office of the Deputy Prime Minister for Infrastructure, Iraq • John Crothers, Partner, Gide Loyrette Nouel • Ibrahim Akkawi, Partner, Ernst & Young

Wednesday, 1 May 2013

9:30–10:30	Session 4 – Options for a single housing agency in Iraq
Room:	<p><i>At the last meeting of the working group different scenarios for a residential housing policy in Iraq were presented to the ministry. This session will build on the conclusions drafted during the last working group meeting and cover different options for a single housing agency in Iraq.</i></p> <p>Update on the Residential Housing project by the Ministry – Emad Mostafa Younis Alshaheri, General Director, Ministry of Construction and Housing (TBC)</p> <p>Presentation of alternatives for a unified housing agency – Anders Jonsson, Iraq Project Coordinator, MENA-OECD Investment</p> <p>Housing Policy Reform in Iraq – Dyfed Aubrey, Senior Human Settlements Officer, UN-Habitat</p> <p>Panel discussion Based on the presentations, discussants will cover:</p> <ul style="list-style-type: none"> • What institutional mechanisms are required to establish a unified housing agency in Iraq? • What would be the obstacles to implementation? • How have these obstacles been overcome elsewhere and what are the insights for Iraq? <p>Panel Members</p> <ul style="list-style-type: none"> • Emad Mostafa Younis Alshaheri, General Director, Ministry of Construction and Housing • Riyadh Yousef Aboud, Office of the Deputy Prime Minister for Infrastructure, Iraq • Anders Jonsson, Iraq Project Coordinator, MENA-OECD Investment • Dyfed Aubrey, Senior Human Settlements Officer, UN-Habitat
10:30-11:00	Coffee Break
11:00-12:30	Session 5 – Structuring the Grand Fao Port project
	<p><i>At the last meeting of the working group different options for structuring the Grand Fao port project were presented. This session will focus on evaluating and providing recommendations for the pre-feasibility study conducted in 2011 for the Grand Fao project, based on international best practice examples.</i></p> <p>Update on the status of the Grand Fao Port project – Ihsan Mohammad Salman, Senior Chief of Engineers, Ministry of Transportation (TBC)</p> <p>PPP examples for the development of major port projects – Martin Fessey, Business Development Manager, Parsons Brinckerhoff</p> <p>Legal considerations for port financing – Christopher Gunson, Lawyer, Pillsbury Winthrop Shaw Pittman LLP</p> <p>Country examples of procurement models for major ports –Egypt's Port Authority or GAFI</p> <p>Panel discussion of the Grand Fao port</p>

	<ul style="list-style-type: none"> • How could procurement models applied in the port sector in other countries be implemented in Iraq? • What are the impediments? • How have these obstacles been overcome elsewhere and what are the insights for Iraq? • What are the next steps? • How can the MENA-OECD Investment Programme assist? <p>Panel members:</p> <ul style="list-style-type: none"> • Ihsan Mohammad Salman, Senior Chief of Engineers, Ministry of Transportation • Riyadh Yousef Aboud, Office of the Deputy Prime Minister for Infrastructure, Iraq • Martin Fessey, Business Development Manager, Parsons Brinckerhoff • Christopher Gunson, Lawyer, Pillsbury Winthrop Shaw Pittman LLP
<p>12:30-14:00</p>	<p>Lunch</p>
<p>14:00-15:00</p>	<p>Session 6 - Final Declaration and Closing Remarks</p>
<p>Room:</p>	<p>Review of all working group meetings outcomes and conclusions – Riyadh Yousef Aboud, Office of the Deputy Prime Minister for Infrastructure, Iraq – Anders Jönsson, Iraq Project Co-ordinator, MENA-OECD Investment Programme, OECD</p>

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